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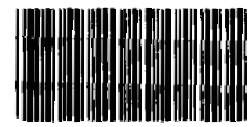
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The Honorable Charles H. Percy
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

Dear Senator Percy:

Subject: Sharing of Federal Medical Resources in North Chicago/Great Lakes, Illinois Area (HRD-81-13)

Pursuant to your August 15, 1980, request, we performed a limited review of the opportunities, the potential for savings and improved patient care, and the obstacles associated with sharing medical resources between the Veterans Administration Medical Center (VAMC), North Chicago and the Naval Regional Medical Center (NRMC), Great Lakes, Illinois. These facilities are separated by a distance of about 1 mile.

In addition, we obtained agency officials' views on the effect that your proposed legislation (S. 2958) to encourage the Veterans Administration (VA) and the Department of Defense (DOD) and other Federal health care providers to cooperate in the efficient and effective use of Federal medical resources would have on the developing situation between the Federal medical centers in the North Chicago/Great Lakes area.

Our primary means of obtaining information and data relative to your specific areas of interest was to rely on Department of the Navy and VA officials at both the headquarters and the local medical center levels. Initial fact-finding efforts were conducted with officials in the Office of the VA's Assistant Chief Medical Director for Planning and Program Development and the Office of the Surgeon General of the Navy. Subsequent to these meetings, we met with and obtained information from local Federal medical center officials in the North Chicago/Great Lakes area. Also, discussions were held with the VA's Great Lakes Regional Director, who is responsible to the VA's Chief Medical Director for the overall operation of 26 of VA's 172 medical centers in the United States.

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We found that there are opportunities for VAMC, North Chicago and NRMC, Great Lakes to share medical resources. According to local VA and Navy medical center officials, it is possible that sharing can be accomplished to the extent that their respective acute medical and surgical patient services might be able to be consolidated into one, using space now available at NRMC, Great Lakes.

In the 1970s, local VA hospital officials considered using the NRMC, Great Lakes if a cross-servicing agreement could have been worked out. However, efforts to consolidate VA and Navy resources were never initiated. As a result, VA upgraded its own acute medical/surgical capability and in the process spent $9.3 million on equipment and construction, some of which might not have been needed if a sharing agreement had been consummated.

The most recent efforts to enter into a sharing arrangement (which, as of September 1980, is of an undetermined size and scope) between the two Federal medical centers in the North Chicago/Great Lakes area began in October 1979. Since May 1980, local medical center officials have been involved in independent fact-finding efforts. Consequently, certain data and information available at this time are preliminary in nature.

Discussions between VA and Navy have been centered on VA using about 250 to 300 beds in the NRMC, Great Lakes for inpatient care of acute medical and surgical patients. The potential for increased sharing of associated ancillary support services and ambulatory outpatient specialty care capacity at both medical centers is also being considered. Local VA and Navy officials believe that pooling existing personnel and other resources available at both medical centers would enhance the spectrum and quantity of medical resources available to VA and Navy beneficiaries in the area.

The general consensus of the local working group, made up of VA and Navy medical center personnel, at this point is that an arrangement involving the consolidation of their acute medical/surgical capabilities is possible. In these officials' opinion, such an arrangement would be advantageous to both VA and Navy. They feel that an in-depth analysis of workload, facilities, equipment, personnel, and cost should be pursued.

As of mid-September 1980, the format and content of a feasibility study to more systematically assess the issue of sharing Federal medical resources had been developed by the local working group. This proposal had not been agreed to by the local steering committee. 1/

Several issues must be addressed and resolved in the development of the proposed arrangement. The different missions of VA and Navy and their facilities must be recognized. VA and Navy officials told us that their respective missions will not be compromised in pursuing an effective sharing arrangement. In this context, these officials indicated that none of the issues to be resolved appear to be insurmountable. Certain issues in the possible consolidation of acute medical/surgical capabilities involve highly complex administrative and personnel matters.

S. 2958, if enacted, would in agency officials' opinions remove certain legislative and administrative obstacles which historically have prevented interagency sharing from taking place and, therefore, would help alleviate some of the problems being encountered in entering into a sharing arrangement in the North Chicago/Great Lakes area. For example, the VA's Chief Medical Director told us that S. 2958's provision to allow VA's facilities to treat DOD dependents without adversely affecting the access to quality care provided to VA beneficiaries would be helpful in entering into this or any other sharing arrangement. However, according to VA and Navy officials, other administrative and personnel matters being raised in considering the evolving North Chicago/Great Lakes area situation may require other legislative amendments not included in S. 2958.

Local hospital officials have identified several millions of dollars of construction and renovation costs to VA and Navy facilities associated with possible consolidation of their acute medical/surgical capabilities. If consolidation took place, savings to the Government might result from reductions in planned spending on several VA buildings.

1/The local steering committee is composed of the Director, VAMC, North Chicago and the Commanding Officer, NRMC, Great Lakes.

Because the VA/Navy feasibility study on various alternatives to enhance sharing in the North Chicago/Great Lakes area is incomplete, it is too early to specifically identify all potential cost savings that might result from any forthcoming sharing arrangement. Agency officials have, however, cited such potential benefits as (1) increased accessibility to care for beneficiaries and (2) increased use of the presently underused Naval medical center.

Based on our discussions with VA and Navy officials, we believe that they are committed to assessing the full potential for increased sharing between the two facilities. Regardless of the degree to which sharing of medical resources can be ultimately accomplished, the knowledge gained by VA and Navy officials in attempting to resolve difficulties associated with interagency sharing should be beneficial. Other officials in the Federal medical sector which may have--to a greater or lesser degree--opportunities to share Federal medical resources should benefit from the lessons learned through the development of a sharing arrangement in the North Chicago/Great Lakes area. In effect, the North Chicago/Great Lakes area could serve as a model for other types of sharing arrangements within the Federal medical sector.

We believe VA and Navy should proceed with their joint feasibility study. In our opinion, the study should include potential costs, savings, benefits, and disadvantages of various sharing alternatives. Completion of this study in a thorough and timely manner is essential. This study would allow officials of the involved agencies to move more quickly into negotiations directed at determining which of the many possible sharing alternatives are the most appropriate for treating VA and Navy beneficiaries in the North Chicago/Great Lakes area.

The enclosure to this letter shows the historical background, opportunities for sharing, costs involved, issues to be resolved, and benefits to be achieved from a sharing arrangement in the North Chicago/Great Lakes, Illinois area.

As requested by your office, we have not obtained written comments on this report, but have discussed its contents with the Surgeon General of the Navy and the VA's Chief Medical Director in a joint briefing on September 23, 1980. Also, as arranged with your office, we are sending copies of this report

to the Secretaries of Defense and Navy, the Navy Surgeon General, the Administrator of Veterans Affairs, the VA's Chief Medical Director, and the Director, Office of Management and Budget. Copies will be provided to interested congressional committees and others.

Sincerely yours,

Gregory J. Ahart
Director

Enclosure

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ABBREVIATIONS

CHAMPUS	Civilian Health and Medical Program of the Uniformed Services
DOD	Department of Defense
NRMC	Naval Regional Medical Center
VA	Veterans Administration
VAMC	Veterans Administration Medical Center

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SHARING OF FEDERAL MEDICAL RESOURCES IN THE NORTH CHICAGO/GREAT LAKES, ILLINOIS AREA

INTRODUCTION

In a letter dated August 15, 1980, Senator Charles H. Percy requested that we conduct an investigation into the potential for budget savings while improving the level of care provided to Federal beneficiaries by the North Chicago Veterans Administration Medical Center (VAMC) and the Great Lakes Naval Regional Medical Center (NRMC). Specific areas of interest cited in the letter were (1) the opportunities for consolidation of Federal medical resources in the North Chicago/Great Lakes area, (2) the potential for savings to the Federal Government and improved beneficiary care at this geographic location, and (3) the legal or administrative obstacles impeding local officials' efforts to share medical resources.

In addition, we obtained agency officials' views on the effect that proposed legislation (S. 2958), to encourage the Veterans Administration (VA) and the Department of Defense (DOD) and other Federal health care providers to cooperate in the efficient and effective use of Federal medical resources, would have on the potential to more fully share medical resources between Federal medical centers in the North Chicago/Great Lakes area.

This report discusses the historical background of the interagency sharing opportunity in the North Chicago/Great Lakes area, the opportunities and benefits to be derived from a sharing arrangement (consolidating both facilities' acute medical/surgical capabilities), and the issues which must be considered and resolved as this matter is pursued by VA and Navy officials.

Our primary means of obtaining information and data relative to the specific areas of interest mentioned above was through discussions with VA and Navy officials at both the headquarters and local medical center levels. Initial fact-finding efforts were conducted with the cooperation of officials in the Office of the VA's Assistant Chief Medical

Director for Planning and Program Development and the Office of the Surgeon General of the Navy. Subsequent to these meetings, we met with and obtained needed information from local Federal medical center officials in the North Chicago/Great Lakes, Illinois area. Also, various sharing-related issues were discussed with the VA's Great Lakes Regional Director, who is responsible to the VA's Chief Medical Director for the overall operation of 26 of VA's 172 medical centers in the United States.

As discussed below, efforts to enter into a sharing arrangement between the two Federal medical centers in the North Chicago/Great Lakes area are in the initial fact-finding phase. Consequently, most data and information available at this time are preliminary in nature. However, we tried to verify the factual information contained in this report by discussing it with local North Chicago/Great Lakes area medical center officials at the conclusion of our visit, and later with officials of the respective headquarters offices of VA and the Navy.

HISTORICAL BACKGROUND

The most recent efforts to make better use of Federal medical resources in the North Chicago/Great Lakes area were initiated through the joint personal efforts of the former Surgeon General of the Navy and the VA's former Chief Medical Director. These officials believed that every opportunity to increase the efficiency of their respective operations through optimal use of available resources should be pursued.

The result of these actions has been to initiate a process which may, if successful, modify the scope and manner in which Federal medical resources are shared. Health care costs may be reduced and access to quality care for Federal beneficiaries may be improved.

The major impetus for an expansion of the sharing arrangements currently existing between the two Federal medical centers--located about 1 mile apart--was the underuse of the NRMC, Great Lakes. In his July 30, 1980, testimony on S. 2958 before the Senate Governmental Affairs Committee, the Surgeon General of the Navy testified that the facility's capacity was 656 with an average daily inpatient workload of about 120 patients. Also, the Surgeon General testified that the facility serviced about 350,000 outpatient visits yearly. Of this total, about

178,000 were treated in the regional medical center's clinics and the remainder in several outlying clinics. This overall workload was supported by a staff of about 900. The Surgeon General testified that only 34 of his total staff were military physicians compared to a total of 80 military physicians at the same facility in 1976.

The first meeting between the staffs of the VA Central Office and Office of the Surgeon General of the Navy to discuss the potential for sharing medical resources in the North Chicago/Great Lakes area was held in October 1979. While joint use of facilities in the area appeared feasible, there were numerous factors to be considered before increased medical resource sharing could be initiated.

The Navy Surgeon General proposed in an October 31, 1979, letter to the VA's Chief Medical Director that a joint working group of staff from his office and VA's Central Office be formed to explore the alternatives for delivery of health care to VA and Navy beneficiaries in the North Chicago/Great Lakes area. The Surgeon General suggested three potential alternatives to the existing situation:

--Navy assumes the VA's workload on a reimbursable basis.

--VA leases the Navy facility and provides services to Navy beneficiaries on a reimbursable basis.

--Navy/VA operate jointly.

In the same letter, the Surgeon General cited several factors which would have to be considered in developing a sharing arrangement. These factors included the military support mission of the naval regional medical center, control of the Navy facility upon mobilization, health care needs of the respective agencies' beneficiary populations, alternative sources for care available in the community, operation of outlying naval clinics, previous agreements in force by either facility, reimbursement mechanisms, budgeting responsibilities, and legal and regulatory impediments.

On December 10, 1979, the VA Chief Medical Director accepted the Navy Surgeon General's invitation to enter into discussions. A focal point within the VA's Department of Medicine and Surgery was established to work with Navy personnel. The Chief Medical Director stated that this endeavor

would hopefully be beneficial to each agency and the constituents each agency served.

It was agreed during the meeting of agencies' headquarters staffs in mid-December that some basic data relative to both facilities would be gathered before a visit could be made to the North Chicago/Great Lakes area.

On December 28, 1979, the Commanding Officer, NRMC, Great Lakes was instructed by the Surgeon General to provide assistance to explore the potential for increased sharing between his facility and the VAMC, North Chicago. The Commanding Officer was told that a great deal of potential for innovative sharing arrangements existed considering the proximity of the facilities and the assets available. A February 19, 1980, letter to the Director, VAMC, North Chicago, was sent by the new VA Chief Medical Director instructing the medical center director to provide maximum support in this effort to increase the efficiency of both facilities.

On May 8 and 9, 1980, a working group of representatives from the two Federal medical centers in the North Chicago/Great Lakes area, the VA Central Office, and the Navy's Bureau of Medicine and Surgery (Office of the Surgeon General of the Navy) met to tour the two facilities and discuss the expansion of medical resource sharing. Discussions centered on VA's use of about 250 to 300 beds at the NRMC, Great Lakes for the care of acute medical and surgical patients. The potential for increased sharing of ancillary support services and ambulatory/outpatient special care capacity at both health care facilities was also discussed.

It was agreed by all parties involved that pooling of existing personnel and other resources available from both facilities would enhance the spectrum and quantity of care available to all Federal beneficiaries. The general consensus of the working group was that a sharing arrangement appeared feasible, that such an arrangement would be advantageous to both VA and Navy, and that an in-depth analysis of workload, facilities, equipment, personnel, and costs should be pursued. The VAMC, North Chicago Director and Chief of Staff and the NRMC, Great Lakes Commanding Officer and Director of Clinical Services jointly agreed on June 2, 1980, to a proposed plan for conducting the analysis.

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Subsequently, the VA Chief Medical Director requested an informal briefing on the matter. During the June 4, 1980, briefing, it was emphasized that, if a sharing arrangement of this nature could be established, it might set a precedent for other VA/DOD sharing arrangements. VA officials believed that the North Chicago/Great Lakes situation provided an opportunity for VA to thoroughly investigate the options available for a major sharing arrangement.

Guidance provided by the Deputy Chief Medical Director as a result of this briefing was that

--the mission statement of the VAMC, North Chicago should be clarified and agreed to by VA Central Office officials,

--the Chicago Medical School/VA relationships should be analyzed,

--the needs and capabilities of other VA medical centers in the area should be analyzed, and

--the VA's Office of Facility Management should closely monitor the projects planned in the local VA facility's 5-year construction plan as it relates to older buildings which would be affected by a sharing arrangement.

In addition, the Deputy Chief Medical Director told VA officials that, because the Navy Surgeon General was scheduled to retire (on or about July 31, 1980), no new initiatives should be planned until word was received from the new Surgeon General about whether or not he wanted to pursue this arrangement.

On June 26, 1980, the Navy Surgeon General directed the NRMC, Great Lakes Commanding Officer to proceed with negotiations with VAMC, North Chicago in conjunction with his Bureau of Medicine and Surgery project staff in Washington, D.C., concerning the sharing of medical resources in the North Chicago/Great Lakes area.

In line with the guidance provided at the VA headquarters level as a result of the June 4th briefing, the VA Chief Medical Director instructed the Director, VAMC, North Chicago on July 3, 1980, to await the appointment of the new Navy

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Surgeon General before entering into negotiations with local Navy officials. However, local VA hospital officials were directed to continue their fact-finding effort.

On September 22, 1980, the Commanding Officer, NRMC, San Diego, became the new Navy Surgeon General.

CURRENT STATUS OF ISSUES RELATIVE TO SHARING FEDERAL MEDICAL RESOURCES

In any sharing arrangement involving Federal medical resources, it is necessary for each agency to benefit from a cooperative arrangement of providing direct health care. The level and quality of care provided to each agency's beneficiaries are of primary importance. In the case of the two Federal medical centers in the North Chicago/Great Lakes area, there appear to be benefits that are recognized by local and headquarters officials in both agencies.

This effort to share medical resources in one locale is the most ambitious that we have encountered to date in our numerous efforts over the years to identify sharing opportunities. Current discussions on this sharing opportunity are concentrated, for the most part, on inpatient care.

Navy officials believe that, should an inpatient sharing arrangement of the magnitude proposed prove feasible, the potential benefits to the Navy include (1) expansion of its services for its beneficiary population, (2) increased accessibility to care, (3) an opportunity for a portion of the local staff to remain in place during mobilization, (4) more efficient use of the existing facility, and (5) cost savings to the Government and the Navy beneficiary population.

VA officials believe that the Navy facility is more desirable for providing care to its acute medical/surgical patients. For example, the major VA acute medical/surgical facility (Building #133) is only partially air-conditioned, whereas the Navy facility is totally air-conditioned. In addition, the Director, VAMC, North Chicago believes that, if an adequate number of beds can be made available for VA's use in the Navy facility, VA can close two operationally expensive psychiatric care buildings built over 50 years ago and move patients from these buildings into Building #133, which was built about 20 years ago.

If the total local medical resources needed to provide acute medical/surgical services to Navy and VA beneficiaries in the North Chicago/Great Lakes area could be combined to the extent possible in one facility, economies of scale might result. Local hospital officials from both agencies accept this premise, but caution that it is premature to cite potential cost savings because the various alternative methods of providing care as described in the Surgeon General's October 31, 1979, letter to the VA Chief Medical Director (see p. 3) have not yet been thoroughly studied for feasibility or desirability.

In late July 1980, the local working group agreed upon the format and content of a feasibility study to more systematically assess the issue of sharing medical resources. This proposal had not been agreed to by the local steering committee (the Commanding Officer, NRMC, Great Lakes and the Director, VAMC, North Chicago) at the time of our visit in mid-September. The proposal requires the examination of the feasibility of moving 250 to 300 acute medical/surgical VA patients into the Navy facility and the identification of other areas (i.e., emergency room, outpatient care, supply, etc.) for potential sharing. Also, it establishes criteria for evaluating the feasibility of sharing medical resources.

These criteria necessitate information and statistical data being collected which address the following issues of interest to both parties. Specifically:

--Can the proposal be physically achieved?

--How does the proposal affect the accomplishment of the respective missions of each facility?

--What effect does the proposal have on the quality of care?

--Is the proposal economical?

--Is the proposal acceptable to patients and staffs?

The VA Great Lakes Regional Director believes a feasibility study package on two alternatives of sharing with the local Navy facility must be prepared. These two alternatives would be (1) an integrated sharing arrangement in which VA

and Navy would work together to provide care and (2) VA's assuming responsibility for that portion of the Navy facility required by VA for provision of care to VA beneficiaries only. It is the Regional Director's understanding that the Navy does not consider VA assuming total responsibility for the facility to be a viable alternative. In his view, this matter will have to be clarified with the new Navy Surgeon General. The Regional Director's preference is for a fully integrated approach (patients and staffs), but he believes the feasibility study should consider all possible alternatives. This official believes the feasibility study package will require, from a VA viewpoint, the participation of both VA Central Office and local medical center officials. In his opinion, this study will take about 1 year to complete.

The major issues discussed below will have to be considered by all parties in forthcoming negotiations over the nature and extent of sharing medical resources between the Federal facilities in the North Chicago/Great Lakes area.

Medical/Surgical Services Needed

VAMC, North Chicago needs to procure very little of the services its patients require from other sources. NRMC, Great Lakes, on the other hand, must procure services from outside sources and many of its patients must rely upon civilian providers for care.

The VAMC, North Chicago, largely through its ability to recruit and retain the proper mix of physicians (including those physicians provided from its affiliation agreement with the Chicago Medical School), has been able to provide nearly all acute medical/surgical services on an in-house basis. In calendar year 1979, only computerized tomography scans at a cost of about $44,000 were purchased from other sources.

On the other hand, the NRMC, Great Lakes continues to see a decline in the number of military physicians available to provide care to Navy beneficiaries. As a result, more and more Navy beneficiaries over the years have received care through DOD's Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). Under this program, Navy beneficiaries are required to share in payment of the costs of services provided by civilian health care personnel. In

a recent 12-month period, the Federal Government's cost for CHAMPUS inpatient care in the Great Lakes area was about $1.5 million. Outpatient CHAMPUS costs amounted to approximately $300,000 during the same period. However, in fiscal year 1979, about 65 percent of the patients receiving inpatient care under the CHAMPUS program from the Great Lakes area were being treated by specialists (pediatricians and obstetricians) which VA does not employ.

To some degree, the number of Navy beneficiaries in the Great Lakes area that are treated under CHAMPUS should be reduced by a recent physicians' service contractual arrangement. In fiscal year 1980, the contract provided for the full time equivalent of 2.1 physicians (in obstetrics, neurology, otolaryngology, and orthopedics) at a cost of about $273,000. In fiscal year 1981, these types of specialists will provide the full time equivalent of nine physicians at a cost of about $1.2 million.

NRMC, Great Lakes buys certain services from other VA medical centers and civilian providers in the area. Also, certain services are currently shared between the NRMC, Great Lakes and VAMC, North Chicago under existing arrangements to fulfill unmet needs.

VAMC, North Chicago provides the NRMC, Great Lakes with the services of a radiation therapist. In return, the Navy provides the cobalt equipment and ancillary personnel needed to operate the radiation therapy department. Patients from both medical centers are treated in the Navy facility.

Adequate clinical experience for either the VA general practice residency in dentistry or the naval oral and maxillofacial surgical residency program is not available solely within the sponsoring facility. A sharing agreement permits residents in these programs to obtain clinical experience at both medical centers.

In addition, the VAMC, North Chicago provides the services of cardiologists to operate the cardiology department at NRMC, Great Lakes. In return, the NRMC, Great Lakes provides blood products to the VAMC, North Chicago.

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Patient Privacy

VA has adopted a policy of ensuring patients their privacy in the use of bedroom, bathroom, and toilet facilities. This issue was discussed in the VA's Department of Medicine and Surgery Circular 10-77-8, dated January 13, 1977.

On April 3, 1980, Circular 10-80-71 was issued as a complete update of expired Circular 10-77-8. The new circular stated that an essential component of the environment in which patients live is privacy, especially bedroom, bathroom, and toilet privacy. The privacy standards attached to the April 1980 circular were presented primarily as objectives for all psychiatric and intermediate bed sections in VA facilities. However, VA's guidance stated that space and partition standards may be used as guidelines for medical and surgical bed areas.

This issue is crucial to the situation in the North Chicago/Great Lakes area. In the NRMC, Great Lakes there are 12 wards (excluding the 3 wards used for alcohol treatment purposes) which are currently vacant and therefore available for VA's use. However, only 3 of the 12 wards have semiprivate rooms. These 3 wards have a total of 84 beds. The other nine wards have open bays which could be converted to VA's standards. These nine wards could provide an additional 236 beds for VA's use. Overall, the 12 wards would, therefore, provide 320 beds in a semiprivate setting rather than in an open bay environment.

Construction/Renovation Costs

Based on current and tentative plans by local Federal medical center officials, a significant amount of funds will have to be expended on both VA and Navy facilities if the completed feasibility study indicates that acute medical/surgical VA patients in Building #133 should be moved into space available at the Navy facility. The movement of the VA patients to the Navy facility could result, based on current assumptions, in VA savings by avoiding certain construction, renovation, or nonrecurring maintenance costs.

Since VAMC, North Chicago began its conversion in the 1970s from a psychiatric hospital (with only minimal medical/surgical capability) to a combined psychiatric-medical/surgical-nursing home facility, about $9.3 million

($3.95 million for construction and $5.38 million for equipment) has been spent to upgrade its acute medical/surgical care capabilities. According to the VAMC, North Chicago Director, the psychiatric patients from two costly to operate psychiatric buildings (Buildings #7 and 8) would probably be moved into the space vacated in Building #133 by the acute medical/surgical patients that are moved to the Navy facility. To renovate Building #133 from an acute medical/surgical setting to a psychiatric setting would cost about $2 million, according to VA officials.

VAMC, North Chicago's 5-year facility construction plan for fiscal years 1981 through 1985 identifies about $67.5 million for construction, renovation, and nonrecurring maintenance needs. This is the sum of $48.6 million for major construction, $3.0 million for minor construction, $3.7 million for renovation, and $12.2 million for nonrecurring maintenance.

Currently, only $25 million for major construction projects at VAMC, North Chicago is included in the Administrator of VA's June 30, 1980, report to the Congress on planned construction projects. This report contains the 1980 VA 5-year Medical Facility Construction Plan (fiscal years 1981-1985) and a prioritized listing of all VA medical centers most in need of construction, replacement, or major modernization. The entire $25 million for heating, ventilation, air-conditioning, medical gases, patient privacy, and nurse call systems in various buildings is identified for funding in fiscal year 1985. All fiscal year 1985 projects in the current VA-wide 5-year plan are considered to be the least well-defined, and subject to change as that construction year approaches and the construction projects and funding estimates are refined. However, the VA Central Office has recently issued an architect/engineering contract to study certain aspects of the fiscal year 1985 projects for the VAMC, North Chicago.

As a result of the tentative nature of the VA headquarters data, we concentrated on the facility's assessment of its needs for the same period for Buildings 7, 8, and 133, which, as mentioned previously, would be most likely affected by a consolidation of acute medical/surgical services. We found that for the 5-year period (1981 through 1985), Building #133 needed about $7 million and Buildings #7 and 8 needed about $824,000 for construction or nonrecurring maintenance. Of these totals, local VA officials believed that $5.2 million

for Building #133 and $646,000 for Buildings 7 and 8 would be required no matter what use was made of these facilities. Therefore, there is a potential for an overall reduction in planned spending of about $1.9 million if both agencies' acute medical/surgical capabilities are consolidated. This possible savings would nearly offset the $2 million mentioned above to renovate Building #133 into a psychiatric setting. Also, an additional $4 million for air-conditioning of Building #133 could be saved if VA officials so desired. Buildings #7 and 8 are not air-conditioned.

In addition, other savings might result from leasing or mothballing Buildings #7 and 8. If Buildings #7 and 8 were mothballed, there would be an estimated annual recurring savings, according to local VA officials, of $160,000 to $200,000 for steam, electricity, maintenance, and repair costs.

To comply with VA's privacy standards discussed previously, it would be necessary to spend an estimated $320,000 per open bay ward in the Navy facility to convert each ward so that it meets VA standards. Some local officials believe this estimate is too high. Currently there are three vacant wards in the Navy facility which have semiprivate rooms. These wards could supply 84 beds immediately for VA's use. Based on VA's recent acute medical/surgical needs of 222 beds, six additional Navy wards would need to be converted to meet VA's standards. This would require an expenditure of about $1.9 million based on the $320,000 estimate per ward to construct walls, install sinks, toilets, and nurse call systems, etc.

Local Navy officials have estimated $4.2 million for major construction and $230,500 for minor construction which will be required at the Navy facility in future years. Of the major construction, $328,000 is scheduled to be funded in fiscal year 1981 and the difference, $3.9 million, will be programmed in fiscal year 1982 and beyond. For minor construction, $104,000 is scheduled for funding in 1981 and $126,500 in fiscal year 1982 and beyond. According to Navy officials, all these costs will be incurred regardless of any possible arrangement to provide additional medical resources to VAMC, North Chicago.

Roles of Federal Facilities

Certain aspects of the missions of VAMC, North Chicago and NRMC, Great Lakes could have a significant impact on these facilities' ability to fully integrate their respective medical resources.

The wartime use of the NRMC, Great Lakes is important. If a fully integrated approach to the provision of medical/surgical care being discussed could be established, it would most likely require the loss of a certain number of beds in the NRMC, Great Lakes to meet VA's privacy standards. As a result, the Office of the Chief of Naval Operations would have to agree that this loss of bed capacity during wartime status would not adversely affect the Navy's ability to fulfull its mission. It is important to note, however, that DOD is already working with VA and civilian providers to develop a contingency hospital system for treating returning battlefield casualties.

At the present time, VA cannot fully support DOD's wartime plans without modification of its current legislative authority and responsibilities. Legislative amendments to allow VA to more fully participate in Federal medical planning for care of returning wartime casualties would benefit the consolidation-type of sharing arrangement being considered by NRMC, Great Lakes and VAMC, North Chicago. This effort might make it possible to replace the beds lost--through a sharing arrangement--with others from nearby VA or civilian facilities.

This topic was the subject of our recent report (HRD-80-76, dated June 26, 1980) "The Congress Should Mandate Formation of A Military-VA-Civilian Contingency Hospital System."

VA's concern about the use of NRMC, Great Lakes in the event of war is the impact it would have on the care provided to VA beneficiaries. In the event VA beneficiaries had to be removed from the NRMC, Great Lakes' facility:

--Would other nearby VA medical centers be able to provide care to additional VA beneficiaries?

--Would care to North Chicago area veterans be suspended?

--How much capability, if any, would VA need to mothball for its own use in the event that the entire NRMC, Great Lakes was needed for active duty personnel?

Such questions need to be resolved before a major consolidation effort can be implemented.

IMPACT OF CHICAGO MEDICAL SCHOOL ON FUTURE SHARING ARRANGEMENT

Since the VA North Chicago facility was constructed in 1925, it has served primarily as a long-term neuropsychiatric facility with supporting medical and surgical capability to care for the acute care needs of its long-term patients. Since 1972, the hospital has pursued efforts to upgrade and expand its general medical and surgical role in VA Medical District 17 while concurrently reducing its number of psychiatric beds.

To facilitate this effort, VA proposed a hospital-medical school affiliation agreement with the University of Health Sciences/Chicago Medical School (University) in September 1973. In March 1974, University officials requested VA to, among other things, authorize the conversion of psychiatric beds in the facility to 450 to 500 acute care beds. The VA's Chief Medical Director at the time advised the University that the North Chicago hospital already had 480 medical and surgical beds. He acknowledged that most patients in these beds had psychiatric illnesses, upon which medical illnesses had been superimposed, and that few non-psychiatric, general medical and surgical patients were admitted directly to the hospital. The Chief Medical Director stated, however, that if the medical school relocated to North Chicago VA hospital land, VA would actively solicit direct admissions from the surrounding community for non-psychiatric general medical and surgical care. In July 1974, the Administrator of Veterans Affairs formally confirmed the establishment of an affiliation agreement between the University and the North Chicago hospital.

As part of an earlier review concerning VA's affiliation with the Chicago Medical School mentioned above, we asked about possible VA/Navy consolidation. In 1977, NRMC, Great Lakes had a very low bed occupancy rate and we asked why VA

had not combined resources with the Navy instead of spending millions of dollars to expand its own acute medical/surgical capability. The VA hospital director responded that VA would be glad to use the Navy facility if a cross-servicing agreement could be worked out. The director felt that as a taxpayer, the NRMC, Great Lakes, should be used rather than building additional acute medical and surgical capability at VA. The cross-servicing agreement was never initiated and VAMC, North Chicago spent $9.3 million upgrading its own acute medical and surgical capability. Certain of these expenditures might not have been needed if a sharing agreement had been consummated.

In our June 21, 1978, report (HRD-78-127), we discussed VA's actions to convert the North Chicago VA hospital into a major general medical and surgical facility in affiliation with the University. We found that the number of acute care beds at the other VA hospitals--Hines, Lakeside, and West Side--in the Chicago area was more than would be needed to meet the projected acute care demand for the veterans population in VA Medical District 17. VA assumed that expanded medical/surgical capability at the North Chicago facility would lead to increased demand for acute care. We concluded that the number of acute care beds being planned by VA for its North Chicago facility was inappropriate--too many acute care beds and too few long-term care beds.

We recommended that the Administrator of VA (1) suspend further expansion of the acute care medical/surgical capabilities at the VAMC, North Chicago, (2) reduce the number of acute care beds at the facility and redistribute them as necessary for long-term care, and (3) reduce the number of acute care beds at other VA hospitals in the Chicago metropolitan area and redistribute them as necessary to a lower level of care. Current VA/Navy discussions to share medical resources by consolidating acute medical/surgical capabilities are in line with the intent of our previous report's recommendations.

The Director, VAMC, North Chicago told us in September 1980 that any consolidation of acute medical/surgical services with NRMC, Great Lakes, will have to be negotiated to recognize the fact that the University's 25 current residents in surgery and medicine will still be needed in providing care to VA beneficiaries in either agency's facility. As a result, this number of residents in medicine and surgery and

the full time equivalent of an additional 30 VA physicians would be available for integrated staffing with Navy physicians. This figure could, according to local officials, represent as many as 60 part-time VA physicians actually providing care in NRMC, Great Lakes.

While it is too late to recapture the money already spent on the conversion of a portion of VAMC, North Chicago to a medical/surgical facility, the consolidation proposal now being considered by VA and the Navy could prevent future duplicative expenditures and serve as a model for consolidation of other facilities.

IMPACT OF S. 2958 ON THE NORTH CHICAGO/GREAT LAKES AREA SITUATION

VA and Navy officials were unanimous in their opionion that S. 2958--a bill to ensure the cooperation of VA, DOD, and other Federal health care providers in the efficient and effective use of Federal medical resources--if enacted, would remove the major disincentives to sharing which presently exist. Specifically, the officials believed the bill would:

--Provide (1) a clear, specific legislative mandate for interagency sharing and (2) adequate guidance on how to share.

--Eliminate restrictive agency regulations, policies, and procedures such as VA's requirement in 38 U.S.C. 5053 that permits only specialized medical resources to be shared.

--Remove the inconsistent and unequal reimbursement methods and allow the specific facility which provided services to be directly reimbursed.

These issues were discussed in our report "Legislation Needed To Encourage Better Use of Federal Medical Resources and Remove Obstacles to Intergency Sharing" (HRD-78-54, June 14, 1978).

Removal of these restrictions would assist VA and Navy officials in the North Chicago/Great Lakes area in moving forward on any type of sharing arrangement that seems appropriate after completion of the feasibility study.

ENCLOSURE I

The VAMC, North Chicago Director told us that by consolidation with the Navy, a full, complete medical center staffed at about 425 beds at the NRMC, Great Lakes could be developed. The Director believed that the facility could be staffed, equipped, and operated jointly at a cost less than the current cost of operating two separate facilities. He also felt that quality medical and surgical care could be provided for VA and Navy beneficiaries under the arrangement and that access to care could be improved.

Administrative and Personnel Issues

Besides removal of the sharing restrictions that would be accomplished by enactment of S. 2958, VA and Navy officials expressed their concern about several other issues which would need to be resolved before any consolidation of medical/surgical services could be finalized. These issues, which are not specifically addressed by S. 2958, include:

--How would the consolidated hospital be managed? Who would control the joint medical/surgical service and ancillary service? Would the Chief of Medicine, for example, be VA or Navy?

--With different employee pay and benefit systems, which agency would control the consolidated service arrangement?

--With dissimilar forms and records, which ones would be used?

--How would the upward mobility of VA employees working in the Naval facility be affected?

--How would union actions be addressed for VA employees working in the Naval facility?

--How would the Navy maintain command and control over military people working side-by-side with essentially civilian VA employees subject to different rules and regulations?

According to VA and Navy officials, the resolution of these issues and questions is extremely important to assure the operational efficiency of a consolidated VA/Navy operation

if such an operation is ultimately agreed upon. Additional legislation might be required to fully resolve some of these matters. S. 2958, if enacted, would not remedy these administrative and personnel issues.

Possible Conflicting Legislation

Local VA officials are concerned that the intent and interpretation of 38 U.S.C. 5003 (Public Law 85-857) by personnel in VA's Office of General Counsel may restrict the extent to which medical resources are shared in the North Chicago/Great Lakes area. Contained in this section is VA's legislative direction concerning the use of Armed Forces (i.e., Army, Navy, Air Force) facilities.

This section of Title 38 of the United States Code states that:

> "The Administrator (of Veterans Affairs) and the Secretary of the Army, the Secretary of the Air Force, and the Secretary of the Navy may enter into agreements and contracts for the mutual use or exchange of use of hospitals and domiciliary facilities, and such supplies, equipment, and material as may be needed to operate such facilities properly, or for the transfer, without reimbursement of appropriations of facilities, supplies, equipment, or material necessary and proper for authorized care for veterans * * *."

However, there is certain legislative language contained in this same section of Title 38 which may restrict the overall permissiveness of 38 U.S.C. 5003. That exception is

> "that at no time shall the Administrator enter into any agreement which will result in a permanent reduction of Veterans' Administration hospital and domiciliary beds below the number established or approved on June 22, 1944, plus the estimated number required to meet the load of eligibles under this title, or in any way subordinate or transfer the operation of the Veterans' Administration to any other agency of the Government."

ENCLOSURE I

Legal questions which arise during efforts to share resources must be resolved to assure that the respective agencies' beneficiaries are not adversely affected. Also, other statutory provisions applicable to the manner in which patient care is provided to VA/Navy beneficiaries in the North Chicago/Great Lakes area and elsewhere must be consistent with other health care responsibilities cited in Titles 10 and 38 of the U.S. Code for the Navy and VA, respectively.

A final matter concerning possible conflicting legislative authority was brought to our attention by VA's Chief Medical Director at our meeting on September 23, 1980. He does not believe VA has the legal authority to treat dependents of military personnel. In his opinion, S. 2958, if enacted, would allow such categories of beneficiaries to receive care. In the Chief Medical Director's opinion, until legislation permitting treatment of military dependents by VA personnel is enacted, sharing arrangements involving military dependents will not be accepted by VA.

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Notwithstanding all these issues and problems, VA and Navy officials felt that the concerns are not insurmountable and that increased sharing between the VAMC, North Chicago, and NRMC, Great Lakes appears feasible.

Regardless of the degree to which sharing of medical resources can be ultimately accomplished, the knowledge gained in attempting to resolve difficulties associated with interagency sharing will be beneficial. Other officials in the Federal medical sector which may have--to a greater or lesser degree--similar opportunities to share Federal medical resources should benefit from the lessons learned through current efforts to develop a sharing arrangement in the North Chicago/Great Lakes area. In effect, the North Chicago/Great Lakes area could serve as a model for other types of sharing arrangements within the Federal medical sector.